GREATER TUBATSE

LOCAL MUNICIPALITY

The GTM
GREATER TUBATSE
MUNICIPALITY

South Africa's first democratic platinum city

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

LIM 475

General Information

Legal form of entity	Local Municipality
Mayoral committee	
The Mayor	Cllr. NJ Mahlake
The Speaker	Cllr. QM Moeng
The Chief Whip	Cllr. SM Nkosi
Excutive Committee	Cllr. PA Mohala
	Cllr. MR Khoza
	Cllr. SO Serothwane
	Cllr. SC Mphogo
	Cllr. MD Nkosi
	Cllr. RF Lourens
	Cllr. Makgoga
	Cllr. MA Malatji
	Cllr. ID Moraba
Grading of local authority	Grade 4 - Low Capacity Municipality
Accounting Officer	Mr. HL Phala
Chief Finance Officer (CFO)	Mr. LM Mokwena
Registered office	Greater Tubatse Municipality
Business address	1 Kastania Street Burgersfort 1150
Postal address	P. O. Box 206 Burgersfort 1150
Auditors	The Office of the Auditor General
The following is included in the scope of operation	Local Municipality Cartegory B
Bankers	First Nasional Bank Burgesfort
Published	30 November 2012

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Greater Tubatse Municipality
(Registration number Lim 475)
for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the and was given unrestricted access to all financial records and related data.

The have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the . However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grants together with own revenue for continued funding of operations. The are prepared on the basis that the municipality is a going concern and that the Greater Tubatse Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's . The have been examined by the municipality's internal auditors and their report is presented to audit committee appointed by the municipality to review.

The set out on pages 7 to 47, which have been prepared on the going concern basis, were approved by the on 31 August 2012 and were signed on its behalf by:

Accounting Officer
Mr HL Phala

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

Greater Tubatse Municipality
(Registration number Lim 475)
for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand		Note(s)	2012	2011
Assets				
Current Assets				
Inventories	30.20	4	53 497	8 936
Receivables from exchange transactions	31.20	5	6 980 411	22 985 735
Consumer debtors	31.20	6	51 922 991	39 819 867
Cash and cash equivalents	32.20	7	44 771 084	310 060
			103 727 983	**63 124 598**
Non-Current Assets				
Investment property	21.20	2	6 795 000	6 795 000
Property, plant and equipment	20.20	3	717 109 076	708 316 976
			723 904 076	**715 111 976**
Total Assets			**827 632 059**	**778 236 574**
Liabilities				
Current Liabilities				
Other financial liabilities	41.27-28	8	831 120	831 120
Finance lease obligation	25.29	9	32 328 540	39 008 909
Payables from exchange transactions	51.20	12	19 163 333	23 924 949
VAT payable	51.20	13	2 926 589	3 256 807
Consumer deposits	51.20	14	1 008 200	941 604
Unspent conditional grants and receipts	43.20	10	549 147	-
Provisions	52.20	11	777 422	966 310
Bank overdraft	32.20	7	-	5 605 162
			57 584 351	**74 534 861**
Non-Current Liabilities				
Other financial liabilities	41.27-28	8	16 743 550	17 657 801
Total Liabilities			**74 327 901**	**92 192 662**
Net Assets			**753 304 158**	**686 043 912**
Net Assets				
Accumulated surplus	40.24		753 304 158	686 043 912

Greater Tubatse Municipality

(Registration number Lim 475)
for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	16	55 165 434	39 018 246
Service charges	17	8 169 390	6 986 648
Property rates - penalties imposed and collection charges		4 347 682	2 377 272
Rental of facilities and equipment		639 583	334 748
Fines		670 196	584 238
Licences and permits		7 236 989	5 972 720
Government grants & subsidies	18	161 505 853	134 974 708
Fees earned		754 651	765 867
Commissions received		4 022 180	3 593 731
Other income	19	7 930 244	5 188 730
Government grants		308 600	1 191 400
Interest received - investment	24	1 760 470	2 308 446
Total Revenue		**252 511 272**	**203 296 754**
Expenditure			
Personnel	21	(68 503 450)	(68 910 939)
Remuneration of councillors	22	(15 094 594)	(13 186 583)
Depreciation and amortisation	25	(30 704 217)	(26 832 297)
Finance costs	26	(12 846 768)	(11 061 605)
Debt impairment	23	(1 554 491)	(7 214 447)
Collection costs		(54 523)	(2 634 663)
Repairs and maintenance		(6 076 202)	(4 695 713)
Contracted services	28	(14 131 562)	(8 874 593)
Grants and subsidies paid	29	(2 816 984)	(2 332 884)
General Expenses	20	(33 468 236)	(38 482 297)
Total Expenditure		**(185 251 027)**	**(184 226 021)**
Surplus for the year		**67 260 245**	**19 070 733**

Greater Tubatse Municipality
(Registration number Lim 475)
for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	587 385 439	587 385 439
Adjustments		
Correction of errors	(403 208)	(403 208)
Prior year adjustments	79 990 948	79 990 948
Balance at 01 July 2010 as restated	**666 973 179**	**666 973 179**
Changes in net assets		
Surplus for the year	19 070 733	19 070 733
Total changes	19 070 733	19 070 733
Opening balance as previously reported	978 081 321	978 081 321
Adjustments		
Correction of errors	(291 634 200)	(291 634 200)
Prior year adjustments	(403 208)	(403 208)
Balance at 01 July 2011 as restated	**686 043 913**	**686 043 913**
Changes in net assets		
Surplus for the year	67 260 245	67 260 245
Total changes	67 260 245	67 260 245
Balance at 30 June 2012	**753 304 158**	**753 304 158**

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Greater Tubatse Municipality
(Registration number Lim 475)
for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 267 376	46 004 894
Grants		161 814 453	136 166 108
Interest income		1 760 470	2 308 446
Other receipts		24 593 745	15 223 436
		252 436 044	199 702 884
Payments			
Employee costs		(83 598 040)	(80 203 021)
Suppliers		(47 761 181)	(56 473 755)
Finance costs		(12 846 769)	(1 603 919)
Other payments		(2 817 183)	(15 956 713)
Other cash item	31	(7 934 632)	-
		(154 957 805)	(154 237 408)
Net cash flows from operating activities	30	**97 478 239**	**45 465 476**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(39 496 317)	(71 404 059)
Cash flows from financing activities			
Repayment of other financial liabilities		(914 251)	(870 561)
Finance lease payments		(7 001 493)	24 656 215
Net cash flows from financing activities		**(7 915 744)**	**23 785 654**
Net increase/(decrease) in cash and cash equivalents		**50 066 178**	**(2 152 929)**
Cash and cash equivalents at the beginning of the year		(5 295 102)	(3 142 174)
Cash and cash equivalents at the end of the year	7	**44 771 076**	**(5 295 103)**

Accounting Policies

1. Presentation of Annual Financial Statement of Greater Tubatse Municipality

The AFS have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These AFS have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the AFS, management is required to make estimates and assumptions that affect the amounts represented in the AFS and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates.Significant judgements include:

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.2 Investment property (continued)

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for other properties which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period..

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	20-25 years
Buildings	3-10 years
Plant and machinery	3-5 years
Furniture and fixtures	5-7 years
Motor vehicles	3-5 years
Office equipment	2-3 years
IT equipment	2-3 years
Computer software	2 years
Infrastructure	2-100 years
Community	10-25 years

1.3 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality was not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment have accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality transfer(s) a function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Financial instruments

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

1.4 Financial instruments (continued)

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

1.6 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

1.7 Impairment of cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.9 Employee benefits (Not disclose fully on notice 314 of 2012 Gazette no 35258)

Short-term employee benefits

1.9 Employee benefits (Not disclose fully on notice 314 of 2012 Gazette no 35258) (continued)

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality does not provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.11 Revenue from exchange transactions (continued)

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

1.12 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Use of estimates

The preparation of Annual Financial Statement is in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Annual Financial Statement are disclosed in the relevant sections of the notes to the AFS. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These are presented in South African Rand.

1.21 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The AFS and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Appendix.

The Statement of comparative and actual information have been included in the appendix as the recommended disclosure when the AFS and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

2. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 795 000	-	6 795 000	6 795 000	-	6 795 000

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	6 795 000	6 795 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value
  - the fact that the entity has disposed of investment property not carried at fair value
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16 548 000	-	16 548 000	16 548 000	-	16 548 000
Buildings	25 965 638	(5 189 573)	20 776 065	25 965 638	(2 594 787)	23 370 851
Plant and machinery	6 231 758	(1 347 780)	4 883 978	6 193 606	(910 352)	5 283 254
Furniture and fixtures	4 532 116	(1 070 525)	3 461 591	4 532 116	(837 237)	3 694 879
Motor vehicles	6 583 875	(2 959 909)	3 623 966	4 833 547	(1 852 724)	2 980 823
Office equipment	13 643 454	(5 260 208)	8 383 246	13 544 315	(2 173 765)	11 370 550
IT equipment	13 652 316	(3 298 853)	10 353 463	6 557 754	(1 340 604)	5 217 150
Infrastructure	692 927 976	(70 663 755)	622 264 221	664 784 945	(50 332 280)	614 452 665
Community	10 148 198	(1 666 495)	8 481 703	10 148 198	(1 459 738)	8 688 460
Park facilities	19 081 449	(748 606)	18 332 843	16 710 344	-	16 710 344
Total	**809 314 780**	**(92 205 704)**	**717 109 076**	**769 818 463**	**(61 501 487)**	**708 316 976**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land	16 548 000	-	-	16 548 000
Buildings	23 370 851	-	(2 594 786)	20 776 065
Plant and machinery	5 283 254	38 152	(437 428)	4 883 978
Furniture and fixtures	3 694 879	-	(233 288)	3 461 591
Motor vehicles	2 980 823	1 750 328	(1 107 185)	3 623 966
Office equipment	11 370 550	99 139	(3 086 443)	8 383 246
IT equipment	5 217 150	7 094 562	(1 958 249)	10 353 463
Infrastructure	614 452 665	28 143 031	(20 331 475)	622 264 221
Community	8 688 460	-	(206 757)	8 481 703
Park facilities	16 710 344	2 371 105	(748 606)	18 332 843
	708 316 976	**39 496 317**	**(30 704 217)**	**717 109 076**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Previous Year Depreciation	Depreciation	Total
Land	23 343 000	-	(6 795 000)	-	-	16 548 000
Buildings	-	25 965 638	-	-	(2 594 787)	23 370 851
Plant and machinery	732 740	-	-	4 708 089	(157 575)	5 283 254
Furniture and fixtures	1 189 347	2 028 219	-	674 653	(197 340)	3 694 879
Motor vehicles	1 717 472	-	-	1 625 031	(361 680)	2 980 823
Office equipment	36 439	8 449 414	-	3 104 547	(219 850)	11 370 550
IT equipment	4 414 775	5 538 045	-	(3 145 296)	(1 590 374)	5 217 150
Infrastructure	603 870 844	29 422 743	-	(13 680 250)	(5 160 672)	614 452 665
Community	19 075 756	-	-	(9 702 780)	(684 516)	8 688 460
Park facilities	16 710 344	-	-	508 663	(508 663)	16 710 344
	671 090 717	**71 404 059**	**(6 795 000)**	**(15 907 343)**	**(11 475 457)**	**708 316 976**

Assets subject to finance lease (Net carrying amount)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

4. Inventories

Consumable stores	53 497	8 936

5. Receivables from exchange transactions

Trade debtors	628 125	12 674 721
Other receivables SKK Transfer	6 352 286	10 257 116
Other debtors	-	53 898
	6 980 411	**22 985 735**

6. Consumer debtors

Gross balances		
Rates	63 599 384	61 527 397
Less: Provision for debt impairment		
Rates	(11 676 393)	(21 707 530)
Net balance		
Rates	51 922 991	39 819 867
Rates		
Current (0 -30 days)	1 247 101	1 407 178
31 - 60 days	1 558 625	1 742 400
61 - 90 days	15 474 482	13 317 723
91 - 120 days	33 642 783	23 352 566
	51 922 991	**39 819 867**
Refuse		
Current (0 -30 days)	777 474	779 549
31 - 60 days	537 351	574 540
61 - 90 days	489 992	534 406
91 - 120 days	6 597 164	12 879 838
	8 401 981	**14 768 333**
Business service levies		
Current (0 -30 days)	1 736 388	-
31 - 60 days	681 108	-
61 - 90 days	344 701	-
91 - 120 days	5 520 855	-
	8 283 052	**-**
Governmentl services levies		
Current (0 -30 days)	403 766	-
31 - 60 days	297 072	-
61 - 90 days	302 316	-
91 - 120 days	15 273 889	-
	16 277 043	**-**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

6. Consumer debtors (continued)

Housing rental		
Current (0 -30 days)	4 775 313	-
31 - 60 days	1 960 543	-
61 - 90 days	1 229 622	-
91 - 120 days	30 664 285	-
	38 629 763	**-**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(21 707 530)	(14 568 925)
Contributions to provision	-	(7 138 605)
Debt impairment written off against provision	10 031 137	-
	(11 676 393)	**(21 707 530)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 000	5 167
Bank balances	44 767 084	304 893
Bank overdraft	-	(5 605 162)
	44 771 084	**(5 295 102)**

Current assets	44 771 084	310 060
Current liabilities	-	(5 605 162)
	44 771 084	**(5 295 102)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
FNB BANK - CALL ACCOUNT - 620-623-0699	34 491	8 869	8 777	34 491	8 869	8 777
FNB BANK - CHEQUE ACCOUNT - 565-500-2246	8 121 661	1 463 221	2 341 288	2 101 726	(5 599 995)	(2 324 599)
FNB BANK - BUSINESS MONEY MARKE - 621-714-33982	167 425	161 014	-	167 425	161 014	-
FNB BANK - CALL ACCOUNT - 620-275-10818	2 278 132	65 137	1 721 318	2 278 132	65 137	1 721 318
FNB BANK - CALL ACCOUNT - 616-550-0887	70 789	69 873	68 766	70 789	69 873	68 766
NEDBANK - 90DAYS NOTICE - 7881096004	40 114 521	-	-	40 114 521	-	-
Total	**50 787 019**	**1 768 114**	**4 140 149**	**44 767 084**	**(5 295 102)**	**(525 738)**

FNB BANK - CHEQUE ACCOUNT - 620-973-4319 in name of GTM LIMPOPO P.H.P with a balance of R11 943.85 on 30 June 2012

Figures in Rand	2012	2011

8. Other financial liabilities

Held at amortised cost		
DBSA LOAN 102904/1&2	15 619 396	16 180 714
Terms and conditions		
DBSA LOAN 13585/102	1 482 212	1 788 084
Terms and conditions		
DBSA LOAN 12713/102	473 062	520 123
Terms and conditions		
	17 574 670	**18 488 921**

Non-current liabilities		
At amortised cost	16 743 550	17 657 801
Current liabilities		
At amortised cost	831 120	831 120
	17 574 670	**18 488 921**

Fair value of the financial liabilities carried at amortised cost		
Bank loans	17 574 670	18 488 922

9. Finance lease obligation

Minimum lease payments due		
- within one year	18 405 182	18 117 241
- in second to fifth year inclusive	58 025 034	60 008 891
- later than five years	59 599 380	75 969 567
	136 029 596	154 095 699
less: future finance charges	(103 701 056)	(115 086 790)
Present value of minimum lease payments	**32 328 540**	**39 008 909**

Present value of minimum lease payments due		
- within one year	6 698 016	6 228 297
- in second to fifth year inclusive	4 876 813	4 343 286
- later than five years	20 753 711	28 437 326
	32 328 540	**39 008 909**

It is municipality policy to lease certain [property] motor vehicles and equipment under finance leases.

The average lease term was 3-10 years and the average effective borrowing rate was 10%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grant FMG & INEP	549 147	-

Movement during the year

Figures in Rand	2012	2011

10. Unspent conditional grants and receipts (continued)

Balance at the beginning of the year	-	3 326 250
Additions during the year	549 147	-
Income recognition during the year	-	(3 326 250)
	549 147	**-**

The nature and extent of government grants recognised in the and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

11. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for Performance Bonus	966 310	(188 888)	777 422

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Provision for Performance Bonus	821 503	144 807	966 310

Transitional provisions

12. Payables from exchange transactions

Trade payables	10 863 128	14 068 353
Payments received in advanced - contract in process	1 058 729	-
Accrued leave pay	5 911 714	8 764 975
Other Creditors	1 329 762	1 091 621
	19 163 333	**23 924 949**

The carrying amounts of loans to and from shareholders are denominated in the following currencies:

13. VAT payable

Tax refunds payables	2 926 589	3 256 807

Figures in Rand	2012	2011

14. Consumer deposits

Water	1 008 200	941 604

15. Revenue

Property rates	55 165 434	39 018 246
Property rates – Penalties imposed and collection charges	4 347 682	2 377 272
Service charges	8 169 390	6 986 648
Rental of facilities & equipment	639 583	334 748
Fines	670 196	584 238
Licences and permits	7 236 989	5 972 720
Government grants & subsidies	161 505 853	134 974 708
	237 735 127	**190 248 580**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	8 169 390	6 986 648
Rental of facilities & equipment	639 583	334 748
Licences and permits	7 236 989	5 972 720
	16 045 962	**13 294 116**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	55 165 434	39 018 246
Property rates – Penalties imposed and collection charges	4 347 682	2 377 272
Fines	670 196	584 238
Transfer revenue		
Government Grants	161 505 853	134 974 708
	221 689 165	**176 954 464**

Figures in Rand	2012	2011

16. Property rates

Rates received

Residential	56 097 986	40 533 528
Less: Income forgone	(932 552)	(1 515 282)
	55 165 434	39 018 246
Property rates - penalties imposed and collection charges	4 347 682	2 377 272
	59 513 116	**41 395 518**

Valuations

Residential	2 045 897 000	1 560 452 707
Commercial	1 135 312 000	746 365 503
Government	940 451 000	382 466 601
Municipal	87 739 600	54 447 909
Small holdings and farms	1 079 516 000	958 946 001
Schools	22 600 000	9 400 000
Mines	460 400 000	388 250 000
Guest Houses	-	81 500 000
Churches	23 735 000	14 336 000
	5 795 650 600	**4 196 164 721**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on a needl basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners.

Rates are levied on an annual basis and paid on monthly basis with the final date for payment being 30 June 2012 (). Interest at prime plus 1% per annum and a collection fee of is levied on rates outstanding two months after due date.

The new general valuation was implemented on 01 July 2011.

17. Service charges

Refuse removal	8 169 390	6 986 648

Figures in Rand	2012	2011

18. Government grants and subsidies

Equitable share	114 137 000	94 525 458
Grant Municipal Support (Capacity Build)	790 000	750 000
Institutional Grant & Subsidy Province	137 000	431 250
Finance Management Grant	1 240 826	1 000 000
Grants - IDC	-	25 000
Grants - MIG Funds	36 311 000	24 943 000
Grants - Dept. Mine & Engineering	8 890 027	9 000 000
Grants - National Government	-	4 300 000
	161 505 853	**134 974 708**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive 100% subsidy on a monthly basis for rates and refuse , which is funded from the grant.

Transport Grant

Balance unspent at beginning of year	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

Institutional Grant

Balance unspent at beginning of year	-	326 250
Conditions met - transferred to revenue	-	(326 250)
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

INEP Grant

Current-year receipts	9 430 000	9 000 000
Conditions met - transferred to revenue	(8 890 027)	(9 000 000)
Other	(539 973)	-
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

MFMA GRANT

Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 240 826)	(1 000 000)
Other	(9 174)	-
	-	-

Figures in Rand	2012	2011

18. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

MSIG

Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(750 000)
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

MIG

Current-year receipts	36 311 000	24 943 000
Conditions met - transferred to revenue	(36 311 000)	(24 943 000)
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provide explanations of conditions still to be met and other relevant information

19. Other income

Outdoor Advertisement	53 031	37 562
Refund from SDM	7 877 213	5 151 168
	7 930 244	**5 188 730**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

20. General expenses

Advertising	209 000	253 316
Auditors remuneration	1 850 147	2 431 073
Bank charges	291 975	240 765
Consulting and professional fees	3 694 345	4 680 845
Consumables	47 832	885
Donations	7 934 631	8 052 571
Entertainment	165 684	364 362
Fines and penalties	281 791	488 953
Insurance	320 188	280 339
IT expenses	1 273 902	765 522
Lease rentals on operating lease	908 201	6 545 891
Promotions and sponsorships	304 890	247 887
Magazines, books and periodicals	31 615	15 965
Fuel and oil	678 154	609 518
Postage and courier	304	683
Printing and stationery	808 734	687 854
Promotions	-	58 079
Protective clothing	196 492	247 384
Royalties and license fees	43 948	44 770
Staff welfare	303 041	211 100
Subscriptions and membership fees	649 787	466 757
Telephone and fax	851 454	937 696
Training	1 265 017	909 250
Travel - local	2 747 982	2 230 711
Special programs	2 333 886	403 953
Ward committee	2 421 000	3 140 600
Billing charges	1 038 044	820 539
Other expenses (see Note 42)	2 816 192	3 345 029
	33 468 236	**38 482 297**

Figures in Rand	2012	2011

21. Employee related costs

Basic	40 079 988	36 618 109
Bonus	(188 887)	144 807
Medical aid - company contributions	2 753 025	2 433 002
UIF	333 372	302 055
SDL	11 268	10 863
Other payroll levies	646 387	-
Leave pay provision charge	(1 989 458)	1 749 694
Pension - Defined contribution plan	8 574 186	7 841 888
Overtime payments	1 257 161	949 794
13th Cheques	3 208 665	3 081 429
Car allowance	7 560 155	7 744 547
Housing benefits and allowances	299 198	162 584
Tellephone allowance	695 116	969 236
Other allwance	6 720	720
	63 246 896	**62 008 728**

Remuneration of Municipal Manager - Mr HL Phala

Annual Remuneration	919 748	850 852
Car Allowance	144 000	153 700
Other	20 975	18 000
	1 084 723	**1 022 552**

Remuneration of Chief Finance Officer - Mr LM Mokwena

Annual Remuneration	712 048	698 453
Car Allowance	219 233	179 774
	931 281	**878 227**

Remuneration of Corporate Services - Mr SF Mkabela

Annual Remuneration	674 728	671 572
Car Allowance	170 550	144 000
Other	38 975	18 000
	884 253	**833 572**

Remuneration of Community Services - Me DK Boshigo

Annual Remuneration	719 279	689 572
Car Allowance	96 000	96 000
Other	68 975	24 000
Other	-	24 000
	884 254	**833 572**

Remuneration of Director Technical Services - Mr HB Mohlaba

Annual Remuneration	717 565	689 572
Car Allowance	144 000	144 000
Other	20 975	-
	882 540	**833 572**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

21. Employee related costs (continued)

Remuneration of Director Land and Economic Development - Mr MH Shai

Annual Remuneration	356 280	683 572
Car Allowance	60 000	120 000
Other	25 847	30 000
	442 127	**833 572**

Remuneration of Director Executive Support - Mr HL Phala

Annual Remuneration	-	833 572

Remuneration of Strategic Services - Me RR Molapo

Annual Remuneration	117 881	677 572
Car Allowance	24 000	144 000
Other	5 495	12 000
	147 376	**833 572**

Contract management unit

22. Remuneration of councillors

Councillors	15 094 594	13 186 583

23. Debt impairment

Contributions to debt impairment provision	1 554 491	7 214 447

24. Investment revenue

Interest revenue		
Bank	486 430	299 299
Interest charged on trade and other receivables	294 925	1 484 673
Interest on investment	979 115	524 474
	1 760 470	**2 308 446**

The amount included in Investment revenue arising from exchange transactions amounted to R 943629

The amount included in Investment revenue arising from non-exchange transactions amounted to R1465545

25. Depreciation and amortisation

Property, plant and equipment	30 704 217	26 832 297

26. Finance costs

Finance leases	321 124	9 457 686
Current borrowings	12 525 644	1 603 919
	12 846 768	**11 061 605**

Figures in Rand	2012	2011

27. Auditors' remuneration

Fees	1 743 161	1 647 013
Consulting	-	727 937
Audit committee	106 986	56 123
	1 850 147	**2 431 073**

28. Contracted services

Information Technology Services	1 822 525	1 727 079
Specialist Services	5 539 035	4 872 888
Other Contractors	6 770 002	2 274 626
	14 131 562	**8 874 593**

29. Grants and subsidies paid

Other subsidies		
Grant in Aid & Burial	91 983	329 782
Indigents Subsidies	17 968	10 795
Free Basic Eletricity	2 707 033	1 992 307
	2 816 984	**2 332 884**

30. Cash generated from operations

Surplus	67 260 245	19 070 733
Adjustments for:		
Depreciation and amortisation	30 704 217	26 832 297
Finance costs - Finance leases	321 124	9 457 686
Debt impairment	1 554 491	7 214 447
Movements in provisions	(188 888)	144 807
Other non-cash items	-	550 507
Changes in working capital:		
Inventories	(44 561)	(8 936)
Receivables from exchange transactions	16 005 324	(2 986 991)
Consumer debtors	(13 657 615)	(15 647 572)
Payables from exchange transactions	(4 761 623)	3 938 297
VAT	(330 218)	169 818
Unspent conditional grants and receipts	549 147	(3 326 250)
Consumer deposits	66 596	56 633
	97 478 239	**45 465 476**

31. Other cash item 1

Electricity capital transfer to 2012-2013 year - R7934632

Figures in Rand	2012	2011

32. Commitments

Authorised capital expenditure not completed

Already contracted for but not provided for		
• Property, plant and equipment	-	2 500 000
• Parking Shades	275 268	-
• IT Infrastracture	2 500 000	-
• Sportsground & Facilities	2 000 000	-
• Rural Cemetries	1 000 000	-
• Electrification of villages	15 364 048	-
	21 139 316	**2 500 000**

This committed expenditure relates to plant and equipment and was financed by previos financial year MIG and INEP and also internal funding. Elecrtisication project will be financed in phases.

33. Contingencies

Contingent liabilities

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is awaiting trial to be finalised.
The following are the cases lodge with in court with status
1. Mopicon Costruction VS GTM with claim of R2,000,000 and the matter is awaiting for date of trial
2. Limpopo Binders VS GTM with claim of R 700,000 and the matter is awaiting trial date
3. Amelia Mashego VS GTM with claim of R 1,000,000 and awaiting trial date
4. Kgoete Justice VS GTM setting aside appointment of traffic manager and the matter is awaiting trial date
The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the stipulated time when court have finalised the trail dates.

Contingent assets

Matter between the municipality and Ipeleng Group went to court and finalised in 2009 in favour of the municipality, but the applicant decided to appeal against the findings of the court thereby prolonging the matter further. The status of the case is currently awaiting the trail date from the supreme court of appeal

34. Related parties

Relationships

Greater Sekhukhune District Municipality	Agency function for an amount of R 4 022 180
Department of transport Limpopo	Agency function for an amount of R 7 236 989

35. Prior period errors

Property, Plant and Equipment were depreciated at the straight line methods. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

In some circumstances it is impracticable to adjust comparative information for one or more prior period to achieve comparability with the current period for Example, data were not collected in the prior period in a way either retrospective application of new accounting policy. Including, for the purpose of paragraph 51-53 of Grap 3 its prospective application to prior period or retrospective restatement to correct a prior period error and it may be impracticable to recreate the information

1. The Water and Sanitation Assets were transferred from the GTM to the District Council. This had a negative effect of R 317 528 662 on the proior year SDM Debtor

Figures in Rand	2012	2011

35. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Adjustment to SDM from Acc. surplus	(25 897 461)	(25 897 461)
Creditors and Liabilities	95 801	95 801
Opening Accumulated Surplus or Deficit	307 407	307 407
Adjustments to SDM	317 528 662	317 582 662
Historical assets	-	(371 074 645)

Cash flow statement

36. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	67 260 245	19 070 733

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

Current year subscription / fee	1 850 147	1 647 013
Amount paid - current year	(1 850 147)	(1 647 013)
	-	-

PAYE and UIF

Current year subscription / fee	24 420 567	13 411 652
Amount paid - current year	(24 420 567)	(13 411 652)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20 123 048	11 282 743
Amount paid - current year	(20 123 048)	(11 282 743)
	-	-

VAT

VAT payable	2 926 589	3 256 807

VAT output payables and VAT input receivables are shown in note.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Figures in Rand	2012	2011

37. Additional disclosure in terms of Municipal Finance Management Act (continued)

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Irregular Expenditure related to Legal cost	-	1 749 223
Fruitless and wasteful expenditure(Later Payment to SARS - cashfow)	29 084	656 684
Irregular Expenditure(SCM Deviation noted by council)	21 173 892	-
Irregular expenditure Related to Xerox	2 814 101	5 858 205
	24 017 077	**8 264 112**

38. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	17 574 670	18 488 921

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

40. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the .

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Please see the attached annexture H for appoint in deviation to supply chain policy and procedure

42. Other Expenses

Disaster Implemenration	22 914	-
Operating System	29 123	-
Sundry Exprnses	29 188	-
Allowances Traditional Leaders	58 019	-
IDP Process	143 897	-
PMS Management	147 909	-
Inter Govermental Relation	163 271	-
Township Establishment	204 469	-
LEF Projects	332 858	-
Asset Capture	507 294	-
Implementation MFSA Grant	1 177 248	-
	2 816 190	**-**

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	40 149 400	1 075 000	41 224 400	-		41 224 400	59 513 116		18 288 716	144 %	148 %
Service charges	21 225 692	1 555 000	22 780 692	-		22 780 692	8 169 390		(14 611 302)	36 %	38 %
Investment revenue	3 648 761	-	3 648 761	-		3 648 761	1 760 470		(1 888 291)	48 %	48 %
Transfers recognised - operational	116 427 000	-	116 427 000	-		116 427 000	116 613 426		186 426	100 %	100 %
Other own revenue	7 135 574	550 000	7 685 574	-		7 685 574	21 253 843		13 568 269	277 %	298 %
Total revenue (excluding capital transfers and contributions)	**188 586 427**	**3 180 000**	**191 766 427**	**-**		**191 766 427**	**207 310 245**		**15 543 818**	**108 %**	**110 %**
Employee costs	(78 625 303)	3 335 464	(75 289 839)	-	-	(75 289 839)	(68 503 450)	-	6 786 389	91 %	87 %
Remuneration of councillors	(17 339 676)	-	(17 339 676)	-	-	(17 339 676)	(15 094 594)	-	2 245 082	87 %	87 %
Debt impairment	(4 770 790)	-	(4 770 790)			(4 770 790)	(1 554 491)	-	3 216 299	33 %	33 %
Depreciation and asset impairment	(4 175 000)	-	(4 175 000)			(4 175 000)	(30 704 217)	-	(26 529 217)	735 %	735 %
Finance charges	(2 724 700)	500 000	(2 224 700)	-	-	(2 224 700)	(12 846 768)	-	(10 622 068)	577 %	471 %
Transfers and grants	(3 923 500)	516 130	(3 407 370)	-	-	(3 407 370)	(2 816 984)	-	590 386	83 %	72 %
Other expenditure	(78 843 002)	(7 448 781)	(86 291 783)	-	-	(86 291 783)	(53 730 523)	-	32 561 260	62 %	68 %
Total expenditure	**(190 401 971)**	**(3 097 187)**	**(193 499 158)**	**-**	**-**	**(193 499 158)**	**(185 251 027)**	**-**	**8 248 131**	**96 %**	**97 %**
Surplus/(Deficit)	**(1 815 544)**	**82 813**	**(1 732 731)**	**-**		**(1 732 731)**	**22 059 218**		**23 791 949**	**(1 273)%**	**(1 215)%**

43. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1 815 550	-	1 815 550	-		1 815 550	45 201 027		43 385 477	2 490 %	2 490 %
Surplus (Deficit) after capital transfers and contributions	**6**	**82 813**	**82 819**	**-**		**82 819**	**67 260 245**		**67 177 426**	**81 214 %**	**004 083 %**
Surplus/(Deficit) for the year	**6**	**82 813**	**82 819**	**-**		**82 819**	**67 260 245**		**67 177 426**	**81 214 %**	**004 083 %**

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	45 400 000	2 925 000	42 475 000	-		42 475 000	39 496 317		(2 978 683)	93 %	87 %

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	-	-	-	-		-	97 478 239		97 478 239	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(39 496 317)		(39 496 317)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(7 915 744)		(7 915 744)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**50 066 178**		**50 066 178**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	(5 295 102)		(5 295 102)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**44 771 076**		**(44 771 076)**	**DIV/0 %**	**DIV/0 %**